

DRAFT

BILL PURCELL
MAYOR



METROPOLITAN GOVERNMENT OF NASHVILLE AND DAVIDSON COUNTY

DEPARTMENT OF FINANCE
DIVISION OF GRANTS MONITORING
222 THIRD AVENUE NORTH, SUITE 315
NASHVILLE, TENNESSEE 37201

February 18, 2004

Mr. Jim Hunt, Chairman of the Board
Nashville Zoo
3777 Nolensville Road
Nashville, Tennessee 37211

Dear Mr. Hunt:

Please find attached the Follow-Up Report for the Nashville Zoo, relating to the recommendations from the Monitoring report issued July 3, 2002 for the fiscal year ending June 30, 2002 and an analysis of the capital improvement grant from the Metropolitan Government of Nashville and Davidson County. The Division of Grants Monitoring is charged with the responsibility of monitoring grant funds from the Metropolitan Government of Nashville and Davidson County to any nonprofit organization receiving Council appropriations. Staff from our office visited your office for the fieldwork for this follow-up review on March 10, 2003 and on October 10, 2003 for the capital improvement grant analysis. The exit conference was held on January 23, 2004.

We appreciate your cooperation during our review and the assistance provided us by your agency during the course of the follow-up review. We hope you find the results useful for administering future grants for the Nashville Zoo. If you have any questions, please call me at (615) 880-1035.

Sincerely,

Fred Adom, CPA
Director

cc: David Manning, Director of Finance
Nancy Whittemore, Assistant Director of Finance
Mitzi Martin, Assistant Director of Finance
Kim McDaniel, Internal Audit
LaShawn N. Barber, Division of Grants Monitoring
Bill Walker, Division of Grants Monitoring



Metropolitan Government of Nashville and Davidson County

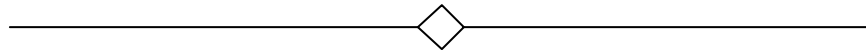
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◆ Follow Up Report of ◆

Nashville Zoo



Issued by



Office of Support Services Division of Grants Monitoring

February 18, 2004

Fred Adom, CPA
Director

LaShawn Barber,
Lead Auditor

Bill Walker,
Assistant Auditor

Our Vision: To be excellent and proficient in monitoring and management services.

**FOLLOW-UP REPORT
FOR THE
NASHVILLE ZOO, INC.**

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FOLLOW-UP TO THE AUDIT FOR THE YEAR ENDED JUNE 30, 2002
OF
THE NASHVILLE ZOO, CONTRACT #L-325

IMPLEMENTATION STATUS OF PREVIOUS RECOMMENDATIONS FOR IMPROVEMENT

No.	PREVIOUS RECOMMENDATION	IMPLEMENTATION STATUS			
		IMPLEMENTED	PARTIALLY IMPLEMENTED	NOT IMPLEMENTED	NOT APPLICABLE
1.	Management should immediately ensure that all Zoo policies and procedures for various operational processes are documented and compiled into a readily available manual. Management should also ensure that the manual is maintained and updated on a regular basis.	v			
2.	The Nashville Zoo should work with Metro's Division of ADA Compliance to obtain guidance as to the requirements and appropriate modifications needed to accommodate individuals with impairments and disabilities.	v			
3a.	Management should take an active effort in assuring that adequate accounting controls are implemented within the organization. Management should also ensure that environmental controls are always scrutinized to avoid and prevent instances of theft, fraud, inefficiency, etc.		v		
3b.	All departments, specifically the Department of Finance and Administration, should immediately document operational procedures and compile these procedures into a readily available manual. Management should also ensure the manual is maintained and updated on a regular basis.		v		
3c.	In addition, management should ensure that all fiscal and accounting procedures, including but not limited to check receipt, coding for posting to accounting system, bank deposits, and purchasing are handled by the Division of Finance and Administration and are adequately segregated. Where segregation is not possible, compensating controls such as documented management review should be incorporated.		v		
4a.	The Nashville Zoo should monitor financial status and ensure that current, or short term, liabilities are in line with current assets such as cash and accounts receivable.		v		
4b.	The Nashville Zoo should also continually minimize current liabilities to a more favorable level and continue to ensure positive cash flow for the agency.		v		

EXECUTIVE SUMMARY

The Division of Grants Monitoring (hereinafter referred to as “DGM”) has completed a follow-up monitoring review of the Recommendations from the Monitoring Report for the Nashville Zoo (hereinafter referred to as “Zoo”, “agency”, or “grantee”) issued July 3, 2002 and a limited analysis of the Zoo’s capital improvement grant. The original monitoring review for which the report was issued included the grant contract that was effective during the fiscal year ending June 30, 2002.

OBJECTIVES, SCOPE AND METHODOLOGY

The objective for the follow-up review was to determine whether the recommendations from the previous audit have been implemented, partially implemented, or not implemented. The objective for our limited analysis of the capital grant included the following:

- to determine whether the costs charged were allowable and eligible,
- to determine whether the costs reported were adequately supported, and
- to determine if the agency had accumulated and/or obtained adequate cash donations and pledged contributions to meet the Metro grant requirements.

A monitoring review is substantially less in scope than an audit. The DGM did not audit the financial statements and accordingly, does not express an opinion or any assurance regarding the financial statements of the Board. A follow-up review is also limited in scope. Our follow-up review covered the operations of the Zoo since the prior monitoring review, or July 1, 2002 through February 28, 2003, and the status of the recommendations made in the prior monitoring report. Our financial analysis

To accomplish the objective of the review, the DGM conducted various interviews and an objective review of financial and administrative operations and documentation and stock information. This review was performed in accordance with the Generally Accepted Government Auditing Standards and in compliance with the federal Office of Management and Budget (OMB) Circular A-110.

RESULTS OF THE REVIEW

Follow-Up Review:

Based on the tests performed, the DGM finds the Zoo has worked toward proper implementation of the prior recommendations or other alternative solutions. We found the agency has made great efforts at improving internal controls and compliance with ADA requirements.

Capital Improvement Grant:

For our analysis of the Metro capital grant, the DGM found no instances of unallowable or ineligible costs charged to Metro. We did, however note that the agency should improve its documentation of certain expenses. The DGM makes the following recommendations regarding capital expenditures:

- a. Allocation of costs to multiple projects should be clearly noted by Zoo staff on supporting invoices and, where possible by the vendor or contractor working on the project(s).
- b. Personnel expenses charged to the Metro capital improvement grant for Zoo employees working on capital project(s) should be more clearly documented. Such staff should maintain timecards and indicate the amount of time spent on the capital project(s).
- c. Administrative expenses related to the capital projects, such as hotel and meal expenses, should be more clearly explained and/or documented. All receipts should indicate the purpose of the expense and the project(s) to which the expense applies.
- d. Documentation of the Executive Director’s and/or General Contractor’s approval for all capital expenses should be provided on the request for reimbursement and the related invoices.

EXECUTIVE SUMMARY

Our review of the Zoo's matching funds revealed the agency has made notable efforts toward attaining the required matching funds for the capital improvement grant. As of our review date, the agency has collected \$8,135,388 in cash or pledged contributions as matching funds for the grant. With \$5,253,683.04 already expended, the Zoo has \$2,881,704.96 available for the current capital appropriation based on their level of matching funds documented. We encourage the Zoo to continue in its efforts at increasing contributions earmarked for capital improvements to the grounds.

The following section provides details explaining the status of the agency's efforts and the DGM's further recommendations for improvement.

STATUS OF PREVIOUS RECOMMENDATIONS FOR IMPROVEMENT

Based on our follow-up review the status of prior findings and the related recommendations are as follows:

1. Agency policies and procedures should be documented and routinely updated.

The Zoo had not, as of our review, established a comprehensive manual to clearly identify and explain Zoo operations, particularly for financial transactions. Various written operational policies and procedures were provided, however these procedures were not comprehensive and did not cover all necessary functions.

We recommended:

- a) Management should immediately ensure all Zoo policies and procedures are documented and compiled into a manual.
- b) Management should ensure the manual is maintained and routinely updated.

Status:

Implemented. The agency recently hired a new Director of Finance, who spent the first months of employment creating a manual for financial operations. Upon our review of the manual, it appears to be comprehensive and include the necessary financial functions. This accounting manual was completed in March 2003. Management also provided the “Animal Care Handbook” that details, as indicated, policies and procedures for handling the animals. This manual also appears to be comprehensive and is up-to-date.

We further recommend:

We commend the Zoo’s recent efforts at establishing and implementing the comprehensive manual. The Director of Finance should continually review the accounting policies and procedures to ensure that it continues to reflect current operations.

2. The agency should coordinate with the responsible agency to ensure compliance with requirements for individuals with impairments and disabilities.

Upon our physical observation of the facilities and interviews with Zoo staff, the agency did not appear to have made special modifications to practices to ensure certain accommodations for individuals with certain disabilities. We found this particularly true for vision and hearing impairments.

We recommended:

The Zoo work with Metro’s ADA Compliance Division to obtain guidance as to the requirements and the appropriate modifications needed to accommodate individuals with impairments and disabilities.

Status:

Partially Implemented. The agency has coordinated with the ADA Compliance Division over the past year to assess the Zoo’s facilities and grounds to identify specific deficiencies and work toward resolving those deficiencies. The assessment, conducted by an outside contractor, was completed earlier this fiscal year and the Zoo is continuing to cooperate. According to the Zoo Director, the agency is “in the process of developing a document to educate staff on communication service for persons with hearing, vision or speech impairment” and currently offers arranges staff-guided tours for those with impairments, if requested. According to Zoo management, they anticipate suggestions from the ADA Compliance Division and the completed assessment on improvements that should be made.

We further recommend:

Zoo management should continue in its cooperation with the ADA Compliance Division and any relative consultants to make the necessary modifications to existing and future facilities and services. Again, we commend the agency for its full cooperation in the external assessment, which will help the Zoo to become fully compliant with ADA regulations, thereby increasing patronage and enhancing the services provided.

STATUS OF PREVIOUS RECOMMENDATIONS FOR IMPROVEMENT

3. Management should improve its internal controls and should scrutinize controls to avoid malfeasance.

Our review revealed the accounting controls for the agency were poor and inadequate for effective operations. We found that no written policies and procedures existed and there were significant problems with segregation of duties. Specifically, we found that:

- Gate staff on duty at closing is responsible for counting the gate's daily cash receipts, preparing the deposit, and sometimes physically making the deposit at the bank.
- Duties for preparing bank deposits, reconciling bank statements, and performing cash reconciliations are not segregated.
- Duties for maintaining, replenishing, and reconciling petty cash receipts are not segregated.
- Mail receipt process is not centralized, with check contributions exposed to staff outside of the Finance Department.
- Purchasing duties were not centralized in the Finance Department.
- The Zoo does not maintain a comprehensive inventory listing, conduct small equipment and inventory reviews, or maintain equipment in a secured location.
- Blank checks are provided for emergency purchases rather than use of petty cash fund.
- Time-off request forms are not used to document sick and personal time off from work; the Director of Finance cannot always verify the type of time off from work for employees.
- The safe is accessible by seven (7) staff members and is not located in the Finance & Administration work area and is not located to ensure safeguard against theft.

We recommended:

- a.) Management should take an active effort in assuring that adequate accounting controls are implemented within the organization. Management should also ensure that environmental controls are always scrutinized to avoid and prevent instances of theft, fraud, inefficiency, etc.

Status:

Implemented. The new Director of Finance has established and implemented a comprehensive Accounting Policies and Procedures Manual to guide accounting functions. This manual appears to ensure adequate controls over financial operations. Based on our review, policy statements and forms have been adequately communicated throughout the Zoo to ensure employees are aware of accounting controls.

We further recommend:

Since ensuring controls is an ongoing process, we encourage the Zoo to continue to evaluate and scrutinize operations, assuring the Zoo members and the Nashville community of effective and efficient operations.

- b.) All departments, specifically the Department of Finance and Administration, should immediately document operational procedures and compile these procedures into a readily available manual. Management should also ensure the manual is maintained and updated on a regular basis.

Status:

Partially Implemented. According to Zoo management, there are two primary areas of operation within the organization, park/animal management and administration. The agency provided the "Animal Care Handbook," which provides detailed information as to the animal staff's job descriptions, requirements, and expectations and direction as the care of zoo animals. Further, the Accounting Policies and Procedures Manual provides guidance as to some functions that are not directly within the Zoo's Finance Department., such as contributions, expenditure reimbursement, customer/member refunds, time-off requests, telephone expenses, and membership forms. These functions can all be considered administration and, as such, prove improvement in this specific area.

STATUS OF PREVIOUS RECOMMENDATIONS FOR IMPROVEMENT

We further recommend:

Administrative functions other than accounting functions should also be documented in writing. This will assist employees and any auditors with fully understanding the agency's operations.

- c.) In addition, management should ensure that all fiscal and accounting procedures, including but not limited to check receipt, coding for posting to accounting system, bank deposits, and purchasing are handled by the Division of Finance and Administration and are adequately segregated. Where segregation is not possible, compensating controls such as documented management review should be incorporated.

Status:

Partially Implemented. The agency has made significant efforts at revamping procedures so that key accounting functions are adequately segregated and/or that proper control is in place.

As of March 2003, the agency was very close to the installation of a new ticketing system, which would strengthen the financial control over gate receipts. The Zoo expected to install the system in April 2003. This system is expected to strengthen control over gate receipts. Adding to this, the Director of Finance has indicated that the assistant in the Finance department physically takes the gate's bank deposit to the bank each day. Gate staffs only take the monies to the bank when the assistant is unavailable. This assistant also reviews the ztape, the register's statement of monies collected, and keeps a log of the receipts; she reconciles this log approximately once per week.

With the hiring of a new Director of Finance, much discussion and some implementation of controls has taken place among management as to better internal controls for operations.

- According to the Director of Finance and based on our review, all functions performed by the assistant within the department are reviewed and monitored. This includes reconciliations of cash receipts and bank statements, petty cash replenishment, and bank deposits.
- In addition, the receipt of mail has been centralized with all mail opened at the front desk by one employee and one witness. The mail is subsequently routed to the applicable area within the Zoo. We verified that checks received in the mail are logged and verified by the Finance Department, usually the assistant.
- Finally, the Director of Finance indicated that purchasing remains a decentralized function. The DGM observed policies and procedures for purchasing functions and standard forms are in place for purchasing, which the area Supervisor, the Zoo Executive Director and the Finance Department must approve purchase. Finally, the Director of Finance has also indicated that the Zoo has discussed considering other purchasing options such as the use of an approved vendor list, which would control who receives payment, or the idea of a Purchasing Agent for each area.
- An inventory listing has been prepared, as of March 2003 and the inventory listed is maintained in a locked storage unit on the Zoo grounds.
- The Finance Department no longer issues blank checks. For emergency purchases, a Check Request Form is now required, which must be approved by the area Supervisor, Finance Department, and Executive Director. The DGM verified the agency's use of the request form.
- Time-off request forms are now mandatory and are maintained by the assistant in the Department of Finance. The Department uses these forms to prepare payroll, which eases their ability to document pay type.
- We found that the number of employees with access to the safe has been slightly reduced. During the last review, seven (7) individuals had access; now, there are six (6) employees with access. According to the Director of Finance, three of these individuals are ticket/gate employees that need access to the safe to place the daily receipts therein. The Accounting Assistant also has access, as does the Zoo Director's Assistant and the Membership Director.

The Zoo has addressed each reported control problem; however further recommendations are needed.

STATUS OF PREVIOUS RECOMMENDATIONS FOR IMPROVEMENT

We further recommend:

Although controls have been implemented to facilitate segregation of duties, we found that there was not always evidence of the Director of Finance's review of certain functions. We found no problems with the accounting, based on our limited review, but we believe it a stronger control for any management review to be documented by the Director of Finance's initials or signature.

We also urge the agency to consider the access to the safe or implementing alternate compensating controls.

4. **The financial status of the Zoo should be monitored and liabilities minimized to meet solvency needs and provide for positive cash flow.**

We recommended:

- a.) The agency should monitor financial status to ensure that current, or short term, liabilities are in line with current assets such as cash and accounts receivable. The Nashville Zoo should also continually minimize current liabilities to a more favorable level and continue to ensure positive cash flow for the agency.

Status:

Partially Implemented. Unfortunately, we found the Zoo's financial position not much better than that reported in the prior monitoring report. The agency's current liabilities are four times greater than current assets, as of December 31, 2001. Based on our review of meeting minutes, the Board of Directors takes this issue quite seriously and is currently in mediation to discuss possible remedies, including reducing and/or eliminating significant debt from the Zoo's financial statements. The Board Chair anticipates positive settlement or forgiveness of the debt. By doing so, current liabilities will be reduced by at least \$6.7 million. Other than the large debt, the Board is also focusing on membership and donor pledges to increase revenues and contribute to a more positive cash flow.

We further recommend:

The Board of Directors should continue in its efforts toward mediation of the significant debt. In addition, we encourage the Board to continue aggressively seek funding developments.